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1967 ANNUAL REPORT

BETHLEHEM STEEL CORPORATION



Annual Meeting

The Annual Meeting of Stockholders will be held at 10 a.m. on Tuesday, April 23, 1968, in the Nemours Auditorium, Nemours Building, Orange Street, Wilmington, Delaware.



America's giant automotive industry is the largest single market for Bethlehem steel sheets and bars.

Stock Transfer Offices

Bethlehem Steel Corporation
25 Broadway
New York, N. Y. 10004

Continental Illinois National Bank
and Trust Company of Chicago
231 South LaSalle Street
Chicago, Illinois 60690

Counsel

Cravath, Swaine & Moore
New York, N. Y. 10005

Registrars of Stock

Morgan Guaranty Trust Company
of New York
New York, N. Y. 10015

The First National Bank of Chicago
Chicago, Illinois 60690

Independent Accountants

Price Waterhouse & Co.
New York, N. Y. 10004

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Cover: Bethlehem produces millions of tons each year of gleaming steel sheets, used in manufacturing automobiles, containers, appliances and a virtually endless list of other products.

BETHLEHEM STEEL CORPORATION



GENERAL OFFICES: BETHLEHEM, PA. 18016

Directors

Crowdus Baker
Edward D. Bickford
Russell K. Branscom
Bernard D. Broeker
Stewart S. Cort
Jess H. Davis
Lewis W. Foy

Harold H. Helm
Robert B. Hobbs
John E. Jacobs
Edmund F. Martin
Monroe J. Rathbone
Albert M. Reed
Ivor D. Sims

Principal Officers

Edmund F. Martin
Chairman

Stewart S. Cort
President

Ivor D. Sims
Executive Vice President

Edward D. Bickford
Vice President, Sales

John C. Howard
Vice President, Traffic

Donald J. Blickwede
*Vice President and
Director of Research*

John E. Jacobs
Vice President, Operations

Russell K. Branscom
*Vice President, Industrial
and Public Relations*

Edward P. Leach
Vice President, Mining

John D. Briggs
Vice President, Planning

Albert M. Reed
*Vice President, Accounting
and Comptroller*

Bernard D. Broeker
*Chairman of Finance Committee
and General Counsel*

Daniel D. Strohmeier
Vice President, Shipbuilding

Floyd S. Eckhardt
Vice President, Engineering

Francis Van Nuys
Vice President, Law

Lewis W. Foy
Vice President, Purchasing

James H. Walker
Vice President, Finance

Ben L. Bishop
Assistant Vice President, Sales

John J. O'Connell
*Assistant Vice President,
Industrial and Public Relations*

John F. Callahan
Assistant Vice President, Accounting

Henry R. Pund
*Assistant Vice President,
Shipbuilding*

Albert W. Connar
General Purchasing Agent

Sheldon J. Shale
Assistant Vice President, Mining

Laurence Fenninger, Jr.
*Assistant Vice President,
Industrial and Public Relations*

C. Thompson Stott
*Assistant Vice President,
Operations*

Charles W. Ganzel
Assistant Vice President, Sales

R. Stockton Taylor
Assistant Vice President, Sales

Richard M. Hurd
*Assistant Vice President,
Engineering*

Robert C. Sonneman
Secretary

Robert J. Jurgen
Assistant Vice President, Traffic

Edward W. Morris
Treasurer

Financial and Operating Summary



	1967	1966
Net income—Amount	\$ 130,448,000	\$ 170,933,000
—Per dollar of total revenues	5.0¢	6.4¢
—Per share	\$2.84	\$3.72
Dividends —Amount	\$ 68,972,000	\$ 82,769,000
—Per share	\$1.50	\$1.80
Common Stock at year end—Shares outstanding	45,982,000	45,982,000
—Stockholders	240,000	248,000
 Total revenues	 \$2,618,953,000	 \$2,691,702,000
Depreciation	\$ 214,754,000	\$ 211,997,000
Taxes—Federal, state, local and foreign	\$ 160,704,000	\$ 182,233,000
 Capital expenditures—		
Wholly owned enterprises	\$ 338,339,000	\$ 265,097,000
Investments in partially owned enterprises	14,305,000	13,059,000
Capital expenditures authorized at year end—		
Wholly owned enterprises	\$ 635,000,000	\$ 841,000,000
Investments in partially owned enterprises	9,700,000	17,600,000
 Long-term debt at year end	 \$ 370,243,000	 \$ 230,999,000
 Raw steel produced (net tons)	 20,525,000	 21,275,000
Steel products shipped (net tons)	13,056,000	13,849,000
Orders on hand at year end	\$ 856,000,000	\$ 805,000,000
Employees—Monthly average number	131,000	133,000



*Edmund F. Martin,
Chairman*

The Year in Review

Bethlehem's net income in 1967 amounted to \$130,448,000, or \$2.84 per share of Common Stock, 23.7% less than the \$170,933,000, or \$3.72 per share, in 1966. Net income per dollar of total revenues was 5 cents, 21.9% less than the 6.4 cents in 1966.

Production of raw steel in 1967 was 20,525,000 net tons, 3.5% less than the record production of 21,275,000 net tons in 1966.

Shipments of rolled steel and other finished products were 13,056,000 net tons during 1967, 5.7% less than the 1966 shipments of 13,849,000 net tons.

Capital Expenditures

Expenditures during 1967 for additions and improvements to property, including investments in partially owned enterprises, amounted to \$352,644,000, compared with \$278,156,000 in 1966.

The estimated cost of completing authorized additions and improvements at the year end was \$644,700,000. Total capital expenditures in 1968 are expected to be approximately \$450,000,000.

Provisions for depreciation in 1967 amounted to \$214,754,000, slightly exceeding the \$211,997,000 provided in 1966.

Capital Authorizations and Additions

Satisfactory progress continues on the five-year expansion program, announced in 1966, to provide

steelmaking facilities at the Burns Harbor Plant. They include a battery of coke ovens, a blast furnace, two basic oxygen furnaces and a slabbing mill. Steelmaking operations are scheduled to begin at Burns Harbor in the early part of 1970.

Capital additions authorized during 1967 include a four-strand, vertical, continuous billet casting facility at the Johnstown Plant. The unit, scheduled for completion in 1969, will be Bethlehem's first production size continuous casting unit. Meanwhile, experiments continue with two pilot-scale slab casting units.

Also authorized was an electric furnace melt shop at the Steelton Plant, consisting of three 150-ton furnaces, to replace the existing open hearth furnaces by 1970.

Modernization and expansion of the quarry and lime plant facilities at the Millard limestone quarry at Annville, Pa., was also authorized. The program, to be completed in 1968, will enable the quarry to provide burnt lime for the new basic oxygen furnace installation now under construction at the Bethlehem Plant in addition to its output of metallurgical limestone and other products.

In the fourth quarter of 1967, a new rod mill at the Sparrows Point Plant began operating.

During the year, Bethlehem acquired approximately 20,000 acres of coal lands in Pennsylvania and several operating coal mines, a coal preparation plant and interests in reserves of high volatile metallurgical coal in West Virginia.

Construction of the Lamco Joint Venture iron ore washing and pelletizing plant at Buchanan, Liberia, designed to improve the physical structure of the products, has been completed. Bethlehem has a 25% participation in the Joint Venture, which has an annual capacity of 11 million net tons of iron ore and pellets.

New Preferred Stock

Bethlehem stockholders, at a Special Meeting to be held on February 14, 1968, will be asked to approve a proposed amendment to its Certificate of Incorporation which will authorize 20,000,000 shares of a new class of Preferred Stock, issuable in series, and also to approve the issuance of shares of the first series of such Preferred Stock in connection with the proposed acquisition of Cerro Corporation.

Cerro Corporation Acquisition

Under the terms of the proposed acquisition, there will be issued in exchange for each share of Cerro Common Stock one share of \$2.80 Series A Convertible Preferred Stock of Bethlehem. Each share of the Series A Preferred Stock will be convertible into 1.33 shares of Bethlehem Common Stock, will be entitled to one vote and will be redeemable at \$60 after March 30, 1973.

The business of Cerro Corporation and its subsidiaries consists principally of the mining, smelting and refining of nonferrous metals in Peru and their sale for export and the manufacture and sale in the United States of copper and brass mill products and electrical wire and cable.

Steel Imports

The basic forces which have changed the United States from a net exporter of steel to the world's greatest importer are four:

First, the availability of a substantial unused surplus steel producing capacity outside the United States and the policies of certain foreign countries as to the use of that capacity;

Second, unit labor costs in other countries far less than those in the United States;

Third, resulting low prices in world markets, some of which are much below the costs of many domestic producers; and

Fourth, assistance given by other governments to protect and strengthen their own steel industries and to encourage exports.

Imports have increased from an insignificant amount ten years ago to 12% of this country's total steel supply in 1967.

Import prices are well below those prevailing in the United States market — frequently below prices in the countries of origin.

Ours is the only steel industry in the world that operates as an entirely private industry. In every other country, developed or developing, the steel industry is looked on as an arm of government policy and receives assistance from its government or is owned partially or entirely by the state. Thus, foreign governments have adopted measures designed to protect home markets from imports and to encourage steel exports. Recent trends, if allowed to continue, will seriously weaken the

domestic steel industry and, therefore, threaten the national security. Realization of this led the American Iron and Steel Institute to present on October 20, 1967, a statement before the U. S. Senate Committee on Finance in support of a bill which would set import quotas on pig iron and steel mill products.

It is hoped that action will be taken on this legislation during the present session of Congress.

Steel Prices

Moderate increases were made during 1967 in the prices of a number of steel products. However, the higher prices, even when combined with the reduction in Bethlehem's operating costs achieved by stringent economies and heavy expenditures for modern production facilities, have only partially offset substantial increases in costs of employment, materials and services.

Employment Costs

On August 1, 1967, under the present labor agreement with the United Steelworkers of America, additional insurance benefits and a wage increase averaging more than 8¢ an hour went into effect for hourly paid employees, and on that date additional insurance benefits and a 3% salary increase were granted to certain salaried employees. As a result, annual employment costs related to steel operations were increased by approximately \$36 million.

The labor agreement will expire on August 1, 1968. An attempt to establish a bargaining procedure which would eliminate the possibility of a strike at or after that date was not successful. Consequently, the industry is again being subjected to inventory buildups by customers which will adversely affect operations in 1968.

Pollution Control

Air and water pollution control have always been problems for the steel industry. Bethlehem is trying to do an effective job of pollution abatement and will continue to spend large amounts for pollution control. During the period 1951 through 1967, Bethlehem spent \$115 million for pollution control facilities. Projects now authorized will add about \$35 million to that figure.

Pollution control itself does not provide any

financial return. Construction and operation of control devices result in additional production costs, which must be recognized for what they are—social costs.

What is needed from the appropriate levels of government is an objective, coordinated effort to establish realistic priorities and standards suitable to the conditions and areas involved. Also needed are financial incentives in the form of rapid amortization of investments for pollution abatement and a special tax credit for such investments.

Shipbuilding and Ship Repairs

It is encouraging to note that billings for shipbuilding and ship repairs were approximately \$193,300,000 during 1967, almost 25% more than the billings of \$156,100,000 in 1966. Shipbuilding orders at the Sparrows Point Shipyard on hand at December 31, 1967, increased to \$143,300,000 from \$79,300,000 at the end of 1966.

Research and Development

The Physical Metallurgy Section of Bethlehem's Homer Research Laboratories has developed new plate steel products which meet special high strength steel requirements and have high tensile

strength and good impact properties, together with good weldability. They are made by standard steelmaking procedures and, after being rolled into plate, they are quenched and tempered on the new roller quench unit at the Burns Harbor Plant.

Bethlehem's Research Department has for many years been working to develop new coatings for can stock, the thin steel used in can making. Recently a full-size pilot production line was installed at the Sparrows Point Plant to chromium coat the double-reduced steel used for beer and other beverage cans. The line is capable of producing a full range of commercial sizes.

* * * * *

Developments during 1968 in the steel import situation and in the impending labor negotiations will have a significant impact on Bethlehem's operations. Your management continues its endeavors to cope with those and other problems in a manner that will enable Bethlehem to grow and prosper.

Edmund F. Martin

February 6, 1968

Chairman



After completion of this two-furnace basic oxygen shop at Bethlehem, Pa., there will be seven of these efficient steelmaking furnaces in Bethlehem plants.

Consolidated Statement of Income and Income Invested in the Business



	1967	1966
<i>Revenues:</i>		
Net sales.....	\$2,594,088,000	\$2,669,437,000
Interest, dividends and other income.....	24,865,000	22,265,000
	<u>\$2,618,953,000</u>	<u>\$2,691,702,000</u>
 <i>Costs and Expenses:</i>		
Cost of sales.....	\$1,944,225,000	\$1,974,531,000
Depreciation	214,754,000	211,997,000
Pensions (Note B).....	34,190,000	30,210,000
Taxes, other than taxes on income.....	89,704,000	89,933,000
Selling, administrative and general expense.....	119,383,000	113,350,000
Interest and other debt charges.....	15,249,000	8,448,000
Provision for taxes on income:		
Federal (Note C).....	49,000,000	66,000,000
Other	22,000,000	26,300,000
	<u>\$2,488,505,000</u>	<u>\$2,520,769,000</u>
 <i>Net Income</i>	 \$ 130,448,000	 \$ 170,933,000
Net income per share	\$2.84	\$3.72
 <i>Income Invested in the Business, January 1</i>	 <u>1,219,754,000</u>	 <u>1,131,590,000</u>
	<u>\$1,350,202,000</u>	<u>\$1,302,523,000</u>
 Dividends	 68,972,000	 82,769,000
Dividends per share	\$1.50	\$1.80
 <i>Income Invested in the Business, December 31</i>	 <u>\$1,281,230,000</u>	 <u>\$1,219,754,000</u>

Consolidated Balance Sheet



Assets	December 31, 1967	December 31, 1966
<i>Current Assets:</i>		
Cash	\$ 66,433,000	\$ 61,959,000
U. S. Government and other marketable securities, at cost (approximately market).....	511,625,000	184,454,000
Receivables—less allowance for doubtful receivables.....	254,962,000	259,618,000
Inventories (page 10).....	515,336,000	476,906,000
<i>Total Current Assets</i>	<u>\$1,348,356,000</u>	<u>\$ 982,937,000</u>
<i>Investments and Long-term Receivables:</i>		
Investments in 50% or less owned enterprises, at cost.....	142,212,000	141,073,000
Miscellaneous investments, at cost, and receivables (Note D)	88,958,000	47,409,000
<i>Property, Plant and Equipment, net (page 10).....</i>	1,504,219,000	1,384,053,000
<i>Total</i>	<u>\$3,083,745,000</u>	<u>\$2,555,472,000</u>
<i>Liabilities and Stockholders' Equity</i>		
<i>Current Liabilities:</i>		
Accounts payable (Note E).....	\$ 261,230,000	\$ 178,134,000
Accrued taxes.....	219,052,000	114,180,000
Accrued employment costs.....	107,318,000	105,193,000
Other	48,193,000	45,333,000
<i>Total Current Liabilities</i>	<u>\$ 635,793,000</u>	<u>\$ 442,840,000</u>
<i>Accrued Liabilities Payable After One Year (Note E).....</i>	220,700,000	86,100,000
<i>Long-term Debt (page 10).....</i>	370,243,000	230,999,000
<i>Stockholders' Equity:</i>		
Common Stock (Notes F and G).....	\$ 575,779,000	\$ 575,779,000
Income invested in the business.....	1,281,230,000	1,219,754,000
<i>Total Stockholders' Equity</i>	<u>\$1,857,009,000</u>	<u>\$1,795,533,000</u>
<i>Total</i>	<u>\$3,083,745,000</u>	<u>\$2,555,472,000</u>

Notes to Consolidated Financial Statements



A. Principles of Consolidation

The consolidated financial statements include the accounts of Bethlehem and all wholly owned subsidiaries.

B. Pensions

The amounts charged against income for pensions in 1967 and 1966 were mainly in respect of pensions under the Bethlehem Pension Plan, which provides retirement benefits for all employees except certain domestic and foreign employees covered by other plans. The major portion of those amounts was paid into the Pension Trust Fund under the Pension Plan.

The assets, at cost, of the Pension Trust Fund at December 31, 1967, amounted to \$471,908,000 (page 11) and are sufficient to fully fund pensions already granted and to provide substantial additional amounts for pensions which may be subsequently granted. In the opinion of Bethlehem and its independent actuary, such additional amounts constituted in the light of the circumstances prevailing at December 31, 1967, a reasonable provision for the estimated actuarial liability at that date in respect of nonretired employees. The aggregate market value of such assets is substantially more than the cost thereof. The Pension Trust Fund is not the property of Bethlehem or its subsidiaries and therefore is not included in the consolidated financial statements.

C. Provision for Federal Income Taxes

Net income for 1967 and 1966 reflects reductions in the provision for Federal income taxes equal to the estimated investment tax credits for such years of approximately \$10,100,000 and \$20,400,000, respectively.

D. Investments

On December 28, 1967, and January 5, 1968, Bethlehem purchased from a wholly owned subsidiary of Cerro Corporation mineral production payments in the primary sums of \$42,000,000 and \$62,000,000, respectively, under which Bethlehem will be entitled, until the primary sums and certain additional amounts have been paid, to the proceeds from the sales of raw materials mined after January 31, 1968, from properties in Peru of such subsidiary of Cerro.

E. Raw Materials Transactions

In December, 1967, several wholly owned subsidiaries of Bethlehem sold mineral production payments aggregating \$296,000,000 in primary sums. The purchasers are entitled, until the primary sums and certain additional amounts have been paid, to the proceeds from the sales of raw materials mined after December 31, 1967,

from properties of such subsidiaries. The proceeds of such sales have been reflected in accounts payable and in accrued liabilities payable after one year at December 31, 1967, in the ratio of the amounts that are expected to be repaid out of production in 1968 and 1969, respectively, less related income taxes. The transactions will be taken into income as the minerals are produced during 1968 and 1969.

Based on its proportionate stock interest in certain 50% or less owned raw material enterprises, Bethlehem is entitled to receive its share of the raw materials produced by such enterprises and is committed to pay its share of their costs, including amortization of their long-term indebtedness. Such amortization averages approximately \$8,300,000 annually through 1983.

F. Common Stock

There are authorized 80,000,000 shares of Common Stock, with a par value of \$8, of which there were outstanding 45,981,767 shares at December 31, 1967, and 45,981,775 shares at December 31, 1966, net of 5,351 shares and 5,343 shares, respectively, held in treasury. The amounts shown for Common Stock reflect the deduction of the cost of such treasury shares.

At December 31, 1967, 681,000 shares of authorized but unissued Common Stock were reserved for the exercise of options granted under the Stock Option Plan prior to 1963 and held by 196 optionees. The option prices range from \$41 to \$51 per share and the options expire on various dates in the years 1969 through 1972. During 1967, no options were exercised and options covering 180,600 shares terminated. No additional options may be granted under the Plan.

G. Plan and Agreement of Merger

On December 4, 1967, the Boards of Directors of Bethlehem and Cerro Corporation approved a Plan and Agreement of Merger under which Cerro will become a wholly owned subsidiary of Bethlehem. On the merger, Bethlehem will exchange one share of its new \$2.80 Series A Convertible Preferred Stock (convertible into 1.33 shares of its Common Stock) for each of approximately 7,019,000 shares of Cerro Common Stock, and each of the options under Cerro's stock option plans (covering an aggregate of 110,447 Cerro shares at December 31, 1967) will cover an equal number of shares of the Series A Preferred Stock. The merger is subject to various conditions, including its approval by Cerro stockholders and approval by Bethlehem stockholders of an amendment to its Certificate of Incorporation authorizing 20,000,000 shares of Preferred Stock and of the issuance in the merger of the Series A Preferred Stock.

Summary of Changes in Working Capital



	1967	1966
Working Capital, January 1	<u>\$540,097,000</u>	<u>\$502,592,000</u>
Additions:		
Net income	\$130,448,000	\$170,933,000
Depreciation	<u>214,754,000</u>	<u>211,997,000</u>
<i>Total from operations</i>	<u>\$345,202,000</u>	<u>\$382,930,000</u>
Proceeds from sale of 5.40% Debentures	150,000,000	—
Increase in accrued liabilities payable after one year (Note E)	134,600,000	5,300,000
Return of investments in partially owned enterprises	13,630,000	14,270,000
Proceeds from sale of property	3,933,000	4,000,000
Other, net	(527,000)	1,257,000
<i>Total</i>	<u>\$646,838,000</u>	<u>\$407,757,000</u>
Deductions:		
Capital expenditures	\$352,644,000	\$278,156,000
Dividends	68,972,000	82,769,000
Investment in future mineral production (Note D)	42,000,000	—
Purchase of long-term debt	<u>10,756,000</u>	<u>9,327,000</u>
<i>Total</i>	<u>\$474,372,000</u>	<u>\$370,252,000</u>
Working Capital, December 31	<u>\$712,563,000</u>	<u>\$540,097,000</u>

Opinion of Independent Accountants

*To the Board of Directors and Stockholders
of Bethlehem Steel Corporation:*

In our opinion, the accompanying consolidated balance sheet, the related consolidated statement of income and income invested in the business and the summary of changes in working capital present fairly the financial position of Bethlehem Steel Corporation and its subsidiaries consolidated at December 31, 1967, the results of their operations for the year and the supplementary information on changes in working capital for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

New York, N. Y.
February 6, 1968

Price Waterhouse & Co.

Inventories



Ore, fluxes, fuel and coal chemicals.....
Pig iron, alloys, scrap and manufacturing supplies.....
Finished and semi-finished products.....
Contract work in progress.....

December 31, 1967	December 31, 1966
\$ 111,077,000	\$ 109,544,000
108,103,000	109,810,000
230,587,000	180,248,000
65,569,000	77,304,000
<u>\$ 515,336,000</u>	<u>\$ 476,906,000</u>

Note: Inventories (other than contract work in progress, which is valued at cost less billings, adjusted for estimated partial profits or losses) are valued at the lower of cost or market using the last-in, first-out method, adopted in 1947, in costing the principal portion thereof.

Property, Plant and Equipment

Steel producing and fabricating properties.....
Raw material properties, net of depletion.....
Transportation properties.....
Shipbuilding and ship repair properties.....
<i>Total Property, Plant and Equipment, at cost</i>
Less: Accumulated depreciation.....

December 31, 1967	December 31, 1966
\$3,230,949,000	\$2,981,178,000
386,832,000	345,279,000
164,762,000	166,031,000
98,586,000	94,096,000
<u>\$3,881,129,000</u>	<u>\$3,586,584,000</u>
<u>2,376,910,000</u>	<u>2,202,531,000</u>
<u>\$1,504,219,000</u>	<u>\$1,384,053,000</u>

Note: In general, provisions for depreciation are determined under the sum of the years-digits method or the straight line method.

Long-term Debt

Consolidated Mortgage Bonds

Twenty-Five Year Sinking Fund 2¾% Bonds, Series I.

Due July 15, 1970.....	\$ 45,714,000	\$ 49,500,000
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(No further Sinking Fund requirement at December 31, 1967)

Thirty-Year Sinking Fund 2¾% Bonds, Series J.

Due November 15, 1976.....	22,279,000	23,478,000
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(Sinking Fund requirements: \$490,000 in 1968 and \$1,000,000, annually, 1969 to 1975, inclusive)

Thirty-Year Sinking Fund 3% Bonds, Series K.

Due January 1, 1979.....	30,770,000	31,131,000
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(Sinking Fund requirements: \$898,000 in 1969 and \$1,000,000, annually, 1970 to 1978, inclusive)

¾% Twenty-five-Year Debentures. Due May 1, 1980.....

3,269,000	3,269,000
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5.40% Debentures. Due January 15, 1992.....

150,000,000	—
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(Sinking Fund requirements: \$6,000,000, annually, 1972 to 1991, inclusive)

4½% Subordinated Debentures. Due January 1, 1990.....

118,211,000	123,621,000
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(Sinking Fund requirements: \$4,076,000, annually, 1970 to 1989, inclusive. As a Purchase Fund, \$1,359,000 must be available for a period of 30 days semi-annually from July 1, 1968, through July 31, 1969, for purchase of Debentures at prices not exceeding principal amount, except to the extent the Corporation elects to apply Debentures acquired by it.)

December 31, 1967	December 31, 1966
\$ 45,714,000	\$ 49,500,000
22,279,000	23,478,000
30,770,000	31,131,000
3,269,000	3,269,000
150,000,000	—
118,211,000	123,621,000
<u>\$ 370,243,000</u>	<u>\$ 230,999,000</u>

Note: The amounts at December 31, 1967, are after deducting the following securities owned and available for applicable Sinking Fund or Purchase Fund requirements: \$3,786,000 Series I Bonds, \$2,211,000 Series J Bonds, \$1,128,000 Series K Bonds and \$9,496,000 Subordinated Debentures.

Pension Trust Fund

Statement of Assets

	December 31, 1967	December 31, 1966
Cash and accrued interest receivable.....	\$ 3,040,000	\$ 2,748,000
Investments, at cost		
Short-term obligations	20,263,000	8,877,000
U.S. Government bonds.....	15,920,000	30,824,000
Other bonds, notes and obligations:		
Domestic corporate.....	103,688,000	103,050,000
Real estate mortgages.....	15,768,000	16,092,000
Foreign	16,396,000	19,218,000
Preferred stocks.....	7,689,000	5,848,000
Common stocks:		
Industrial	195,109,000	178,591,000
Public utility.....	57,172,000	45,856,000
Bank, finance and insurance.....	36,863,000	32,342,000
<i>Total (Note)</i>	<u>\$471,908,000</u>	<u>\$443,446,000</u>

Statement of Changes in Fund

	1967	1966
Balance in Fund, January 1.....	\$443,446,000	\$418,840,000
Additions: Received from employing companies.....	33,852,000	28,058,000
Income from investments.....	22,561,000	20,862,000
Net gain on disposition of investments.....	9,493,000	6,206,000
	<u>\$509,352,000</u>	<u>\$473,966,000</u>
Deduction: Pension payments.....	37,444,000	30,520,000
Balance in Fund, December 31.....	<u>\$471,908,000</u>	<u>\$443,446,000</u>
Pensioners at year end.....	22,400	20,400

Note: The Pension Trust Fund is not the property of Bethlehem or its subsidiaries and therefore is not included in the consolidated financial statements. The aggregate market value of the total investments in the Fund is substantially more than the cost thereof.

Opinion of Independent Accountants

To the Trustees of the Pension Fund under the Pension Trust
of Bethlehem Steel Corporation and Subsidiary Companies:

In our opinion, the accompanying statement of assets and statement of changes in the Fund present fairly the assets of the Pension Fund under the Pension Trust of Bethlehem Steel Corporation and Subsidiary Companies at December 31, 1967 and the changes in the Fund during the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances, including confirmation by the custodian of investments owned at December 31, 1967.

New York, N. Y.
February 6, 1968

Price Waterhouse & Co.

Ten Year Financial and Operating Summary



	1967	1966	1965
Total revenues.....	\$ 2,618.9	2,691.7	2,601.2
Costs and expenses:			
Employment costs.....	\$ 1,138.4	1,147.6	1,080.8
Materials and services.....	1,008.4	1,023.6	1,016.8
Depreciation	214.8	212.0	196.1
Taxes, other than social security taxes.....	111.7	129.2	148.4
Interest and other debt charges.....	15.2	8.4	9.1
<i>Total</i>	<u>\$ 2,488.5</u>	<u>2,520.8</u>	<u>2,451.2</u>
Net income—Amount.....	\$ 130.4	170.9	150.0
—Per dollar of total revenues.....	5.0¢	6.4	5.8
—Per share of Common Stock.....	\$ 2.84	3.72	3.26
Dividends—Preferred Stock (refunded in 1964).....	\$ —	—	—
—Common Stock.....	69.0	82.8	68.8
Capital expenditures—Wholly owned enterprises.....	\$ 338.3	265.1	377.6
—Investments in partially owned enterprises.....	14.3	13.1	5.6
Long-term debt at year end.....	\$ 370.2	231.0	240.3
Raw steel produced (net tons).....	20,525,000	21,275,000	21,032,000
Steel products shipped (net tons).....	13,056,000	13,849,000	14,319,000
Employees—Monthly average number.....	131,000	133,000	130,000
Common Stock at year end—Shares outstanding.....	45,982,000	45,982,000	45,987,000
—Stockholders	240,000	248,000	245,000

Dollars in millions, except net income per share

Classification of Stockholders

December 31, 1967

	Male	Individuals Female	Joint Accounts	Fiduciary Individuals
Holders of record.....	69,013	88,248	58,442	17,272
Shares held.....	9,771,470	11,313,837	4,595,801	1,294,976

1964	1963	1962	1961	1960	1959	1958
<u>2,264.8</u>	<u>2,116.2</u>	<u>2,096.8</u>	<u>2,057.1</u>	<u>2,209.0</u>	<u>2,079.1</u>	<u>2,024.3</u>
973.1	924.3	914.1	913.0	945.7	860.0	857.7
831.5	785.7	812.6	750.8	856.5	830.1	745.5
181.2	163.7	155.5	98.1	94.2	97.6	108.7
126.9	136.5	121.9	168.8	187.8	170.0	168.2
4.2	3.5	4.0	4.0	3.6	4.2	6.5
<u>2,116.9</u>	<u>2,013.7</u>	<u>2,008.1</u>	<u>1,934.7</u>	<u>2,087.8</u>	<u>1,961.9</u>	<u>1,886.6</u>
147.9	102.5	88.7	122.4	121.2	117.2	137.7
6.5	4.8	4.2	5.9	5.5	5.6	6.8
3.11	2.11	1.80	2.54	2.52	2.44	2.91
6.5	6.5	6.5	6.5	6.5	6.5	6.5
68.3	68.3	99.0	109.2	109.2	108.8	107.5
385.7	177.3	144.5	114.3	169.9	86.7	91.4
5.8	31.1	48.3	30.7	12.1	2.0	13.1
263.4	128.9	135.4	138.7	140.4	149.5	159.9
19,436,000	16,109,000	14,677,000	14,944,000	15,941,000	14,257,000	13,393,000
12,762,000	10,987,000	10,391,000	10,045,000	11,419,000	10,268,000	9,686,000
121,000	120,000	122,000	128,000	141,000	129,000	143,000
45,511,000	45,511,000	45,511,000	45,511,000	45,488,000	45,455,000	45,088,000
249,000	254,000	258,000	235,000	209,000	187,000	171,000

Fiduciary Institutions	Brokers	Nominees and Investment Trusts	Insurance Companies	Charitable and Educational Institutions	Others	Total
1,502	448	1,466	119	940	2,555	240,005
456,821	5,559,937	10,853,069	459,658	501,866	1,174,332	45,981,767

Steel for the Home Market

Long the basic material for industrial and commercial construction, steel—in more aesthetic form—has today become one of the indispensable materials for residential building. In effect, steel has now moved into the province of both the architect and the interior decorator.

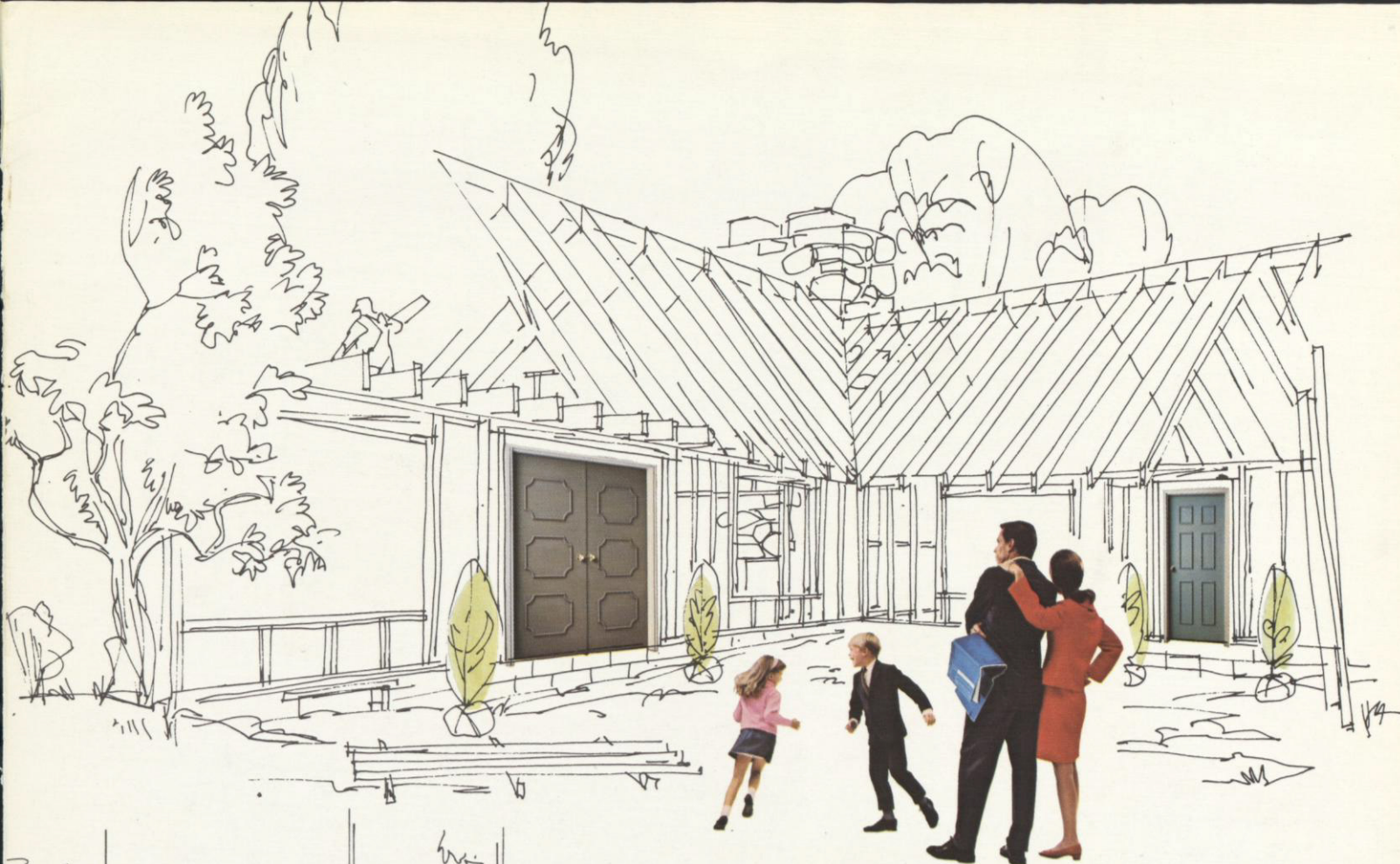
Today's steels for home use have all the traditional advantages of strength, durability and low cost. But a completely new dimension has been added—esthetic appeal, enhanced by color, texture and shape. Given this new

dimension, product designers are finding that steel is a light, bright material for the home. Take a walk around a contemporary house and see for yourself.

The Living Areas

Family room and playroom have a “today” look with steel. Combined with bright modern fabrics and richly textured materials, steel furniture is comfortable and will keep its good looks for years because of steel's inherent strength.



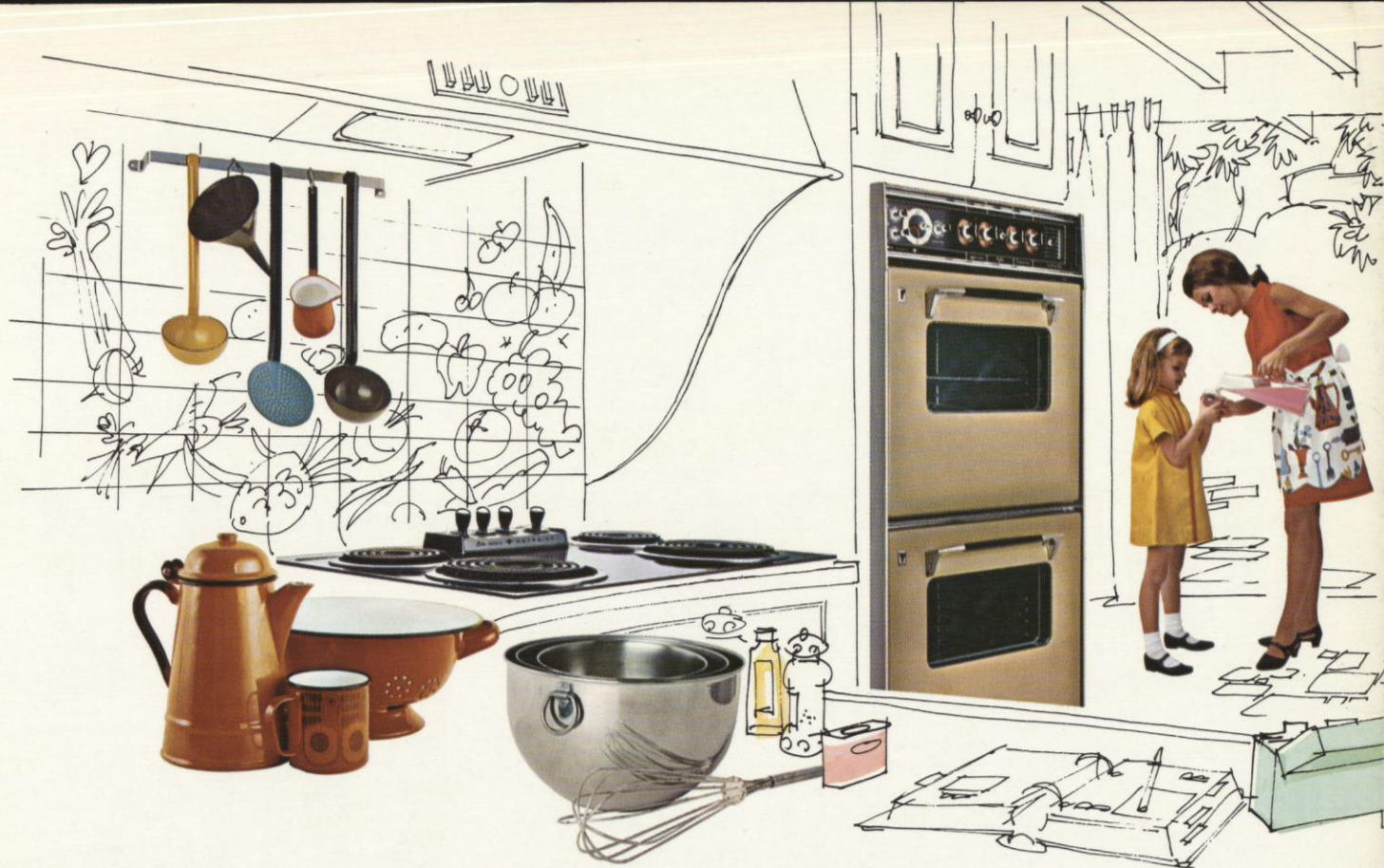


More formal rooms, too, are using steel furniture. Here, slim steel frames used with rich leathers, or combined with wood, marble or glass, give true beauty and distinction to a room.

No home has too much closet space. Living areas, bedrooms, halls—wherever storage is important—can be fitted with floor to ceiling, wall to wall closets with a variety of types of fashionable steel doors. Besides the quiet working, non-warping aspect of these doors, colors and designs are almost unlimited, blending with any interior decor and color scheme.

Exterior steel doors are especially attractive. Perhaps no single feature of a house sets its style and interest as much as the front door. Today, exterior steel doors can be modern, traditional or a host of designs in between. They take paint beautifully and richly, last for the life of the house, and again, thanks to steel's strength, provide the maximum protection. Pre-painted steel sheets, used for doors, closet units and other home uses, have the paint so tightly bonded to the steel that the coating is not damaged during manufacture. Pre-painted, dent-resistant steel siding for houses is also growing in popularity.

Modern steels can be fabricated in graceful shapes, light in weight, with open work designs, at no sacrifice in strength. A good example is modern terrace furniture.



Kitchen and Bath

It was in the kitchen that steel first showed what it could do to make home furnishings attractive as well as useful. Easy to maintain, long lasting appliances have been a part of every kitchen for years, and the strength and heat and corrosion resistant qualities of steel have long been known.

With today's emphasis on giving the kitchen an attractive setting, as well as making it an efficient workroom, steel has again come into its own. Appliances have never looked so beautiful. The array of colors and styling available have given a "high fashion" look to the kitchen. The improved porcelain enameling steels give appliances added life and luster.

But perhaps it is the kitchen cabinet that most reflects the new look of steel. Today wood and plastic laminates can be permanently bonded to steel. Now kitchen cabinets have the feel and look of wood—walnut, birch, mahogany—yet have the warp free, quiet movement of steel, as well as its durability. In some cases, solid wood door panels are used with steel cabinet bodies.

Yesterday's bathroom has also been updated with steel. A new generation of porcelain on steel bathroom fixtures are inexpensive and easy to maintain.

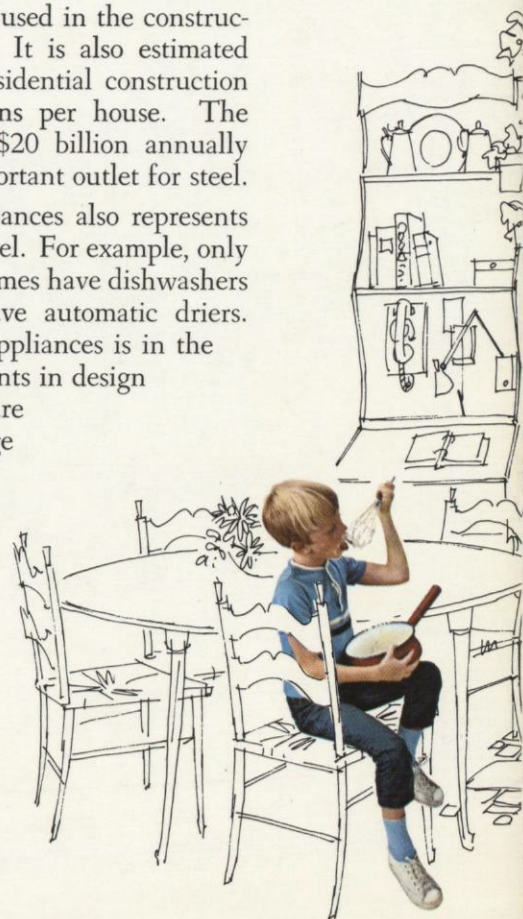
These are a few of the ways in which new steel products are being used in the home market. Steel continues to be used for beams

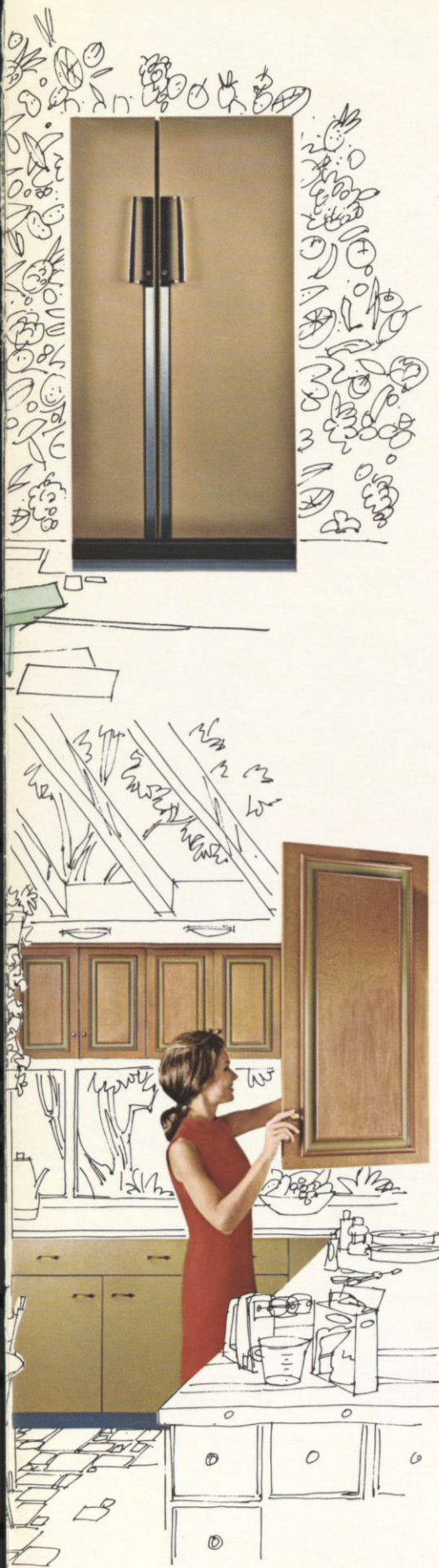
and joists, spouting and gutters, ductwork and the other traditional components of home construction.

It is estimated that, in 1967, about one and one-half tons of steel were used in the construction of a modern house. It is also estimated that the use of steel in residential construction will grow to over five tons per house. The residential market, about \$20 billion annually in size, is becoming an important outlet for steel.

The future sale of appliances also represents tremendous tonnages for steel. For example, only 18 per cent of America's homes have dishwashers and only 35 per cent have automatic driers. The potential market for appliances is in the millions. New improvements in design and functional efficiency are accelerating the already large replacement demand.

Bethlehem's facilities and sales efforts are geared to take full advantage of this fast growing home market. Bethlehem continues to serve the heavy construction, automotive, container, railroad, oil, shipbuilding, machinery and other industries with quality steel and steel products.





Facilities

Steel Plants: Sparrows Point, Md. • Lackawanna, N.Y. • Bethlehem, Pa. • Burns Harbor, Ind. • Johnstown, Pa. • Steelton, Pa. • Los Angeles, Calif. • Seattle, Wash. • South San Francisco, Calif. • Lebanon, Pa. • Williamsport, Pa.

Fabricating Works: Pottstown, Pa. • Leetsdale, Pa. • Pinole Point, Calif. • Chicago, Ill. • Bethlehem, Pa. • Torrance, Calif.

Shipbuilding and Ship Repair Yards: Baltimore, Md. • Beaumont, Tex. • East Boston, Mass. • Hoboken, N.J. • San Francisco, Calif. • Sparrows Point, Md. • Terminal Island (San Pedro), Calif.

Other Manufacturing Units: Albany, N.Y. • Baltimore, Md. • Boston, Mass. • Buffalo, N.Y. • Charlotte, N.C. • Clearing, Ill. • Cleveland, Ohio • Detroit, Mich. • Dunellen, N.J. • Elizabeth, N.J. • Fairfield, Md. • Hallandale, Fla. • Houston, Tex. • Jacksonville, Fla. • Miami, Fla. • Minneapolis, Minn. • Philadelphia, Pa. • Raleigh, N.C. • Richmond, Va. • Romulus, Mich. • Staten Island, N.Y.

Iron Ore Mines: Negaunee, Mich.* • Hibbing, Minn.* • Hoyt Lakes, Minn.* • Sullivan, Mo.* • Cornwall, Pa. • Morgantown, Pa. • Labrador City, Labrador, Canada* • Marmora, Ontario, Canada • Schefferville, Quebec, Canada* • Belo Horizonte, Brazil* • La Serena, Chile • Buchanan, Liberia* • San Felix, Venezuela

Manganese Ore Mines: Macapa, Amapa, Brazil* • Molango, Hidalgo, Mexico*

Coal Mines: Jenkins, Ky. • Ebensburg, Pa. • Ellsworth, Pa. • Barrackville, W. Va. • Buckhannon, W. Va. • Itmann, W. Va.* • Kayford, W. Va.

Limestone Quarries: Presque Isle, Mich.* • Annville, Pa. • Hanover, Pa. • King of Prussia, Pa. • Milroy, Pa.

Rail Transportation: Five short line railroads in the vicinities of the Sparrows Point, Lackawanna, Bethlehem, Johnstown and Steelton Plants and one partially owned railroad serving certain coal mines near Johnstown, Pa.

Water Transportation: Six ore vessels and two product carrying vessels on the Great Lakes; twenty ocean going ore and product carrying vessels; and three coastal barges.

*Partial Interest

Sales Offices

Albany
Atlanta
Baltimore
Bethlehem
Boston
Buffalo
Chicago
Cincinnati

Cleveland
Columbus
Dallas
Dayton
Des Moines
Detroit
Grand Rapids
Greensboro, N.C.

Honolulu
Houston
Indianapolis
Jacksonville
Kansas City, Mo.
Los Angeles
Milwaukee
New Haven

New York
Philadelphia
Pittsburgh
Portland, Ore.
Richmond, Va.
St. Louis
St. Paul
Salt Lake City

San Francisco
Seattle
Spokane
Syracuse
Toledo
Tulsa
Washington, D.C.
York

Products

Sheet and Strip Products: Hot-rolled, cold-rolled and galvanized sheets • Hot-rolled strip • Galvannealed sheets • Electro-galvanized sheets • Enameling sheets—Bethamel • Prepainted sheets • Chromized sheets • Culvert sheets

Structural Shape Products: Wide-flange structural sections • Standard beams, angles and channels • Hollow structural sections

Plate Products: Sheared, universal and strip mill plates • Quenched and tempered plates • Flanged and dished heads

Tin Mill Products: Electrolytic tinplate • Hot-dip tinplate • Blackplate • Double-reduced tinplate and blackplate • Tin-free steel • Electrolytic tin mill coated sheets

Alloy and Carbon Bars and Semi-Finished Products: Hot-rolled bars—standard and special sections • Blooms, billets and slabs

Rod and Wire Products: Wire rods • Manufacturers' wire—bright, galvanized, Bethanized and aluminized • Nails and staples • Bale ties and automatic baling wire • Barbed wire

Reinforcing Bars and Construction Specialty Products: Concrete reinforcing bars • Fabricated reinforcing bars • Welded wire fabric • Slabform, Bridgform and Reinform • Highway guard rails—beam and cable • Bridge railing • Cold-formed shapes • Steel joists

Piling Products: Sheet piling • H-piles • Piling pipe

Tubular Products: Continuous butt-weld pipe • Electric-resistance weld pipe • Oil and gas transmission line pipe

Railroad Products: Freight cars, industrial cars and car parts • Rails, tie plates and joint bars • Wheels and axles • Frog and switch material • Prefabricated special track work

Tool Steel Products: Tool steels • Specialty steels

Industrial Fastener Products: Bolts, nuts, rivets, spikes and other industrial fasteners • Mine roof bolting and supports • Sucker rods

Wire Rope and Strand Products: Wire rope and strand—Bethanized, galvanized and aluminized • Stress-relieved strand • Wire rope slings and spliced products

Forgings, Castings and Special Products: Forgings—press, hammer, drop and circular • Hardened steel rolls • Ordnance • Steel castings • Ingot molds and stools • Ferro-manganese • Coal chemicals—tar, benzene, toluene, xylene and ammonium sulphate • Copper • Cobalt

Fabricated Steel Products: Bridges, buildings and other fabricated structures • Large diameter water pipe • Galvanized power transmission towers • Tanks and pressure vessels • Corrugated culvert pipe

Shipbuilding: Ships and ship repairs • Barges • Offshore oil drilling rigs • Special marine products

Raw Materials: Iron ore • Manganese ore • Lime • Stone • Slag

Bethlehem bridgemen top out a tower for the Newport Bridge now under construction in Rhode Island.



BETHLEHEM STEEL CORPORATION
BETHLEHEM, PA. 18016

RAYMOND T JACKSON
1956 UNION COMMERCE BLDG
CLEVELAND OHIO 44114

BULK RATE
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